

# Regulation of Individual Insurance Market

(Prepared remarks, not necessarily delivered verbatim)

**1:30 p.m., Jan. 17, 2006**

House Health Care Committee

**HB 2499/SB 6233**

## Promises made, but not realized

Five years ago, the legislature struck a deal to salvage the individual health insurance market.

Many promises were made.

Legislation was adopted with promises that competition would return and the market would flourish.

In short, the legislation had four key components:

- allowed the highest risk to be taken out of the market
- extended pre-existing conditions to nine months from three
- allowed carriers to replace product on 90 days notice
- took away our authority to regulate rates

Five years have passed since the law took effect and we still have no competition in the individual market in Washington.

Meanwhile, the carriers are making record profits...

...and consumers have seen their premiums increase at an average of 20 percent per year.

Even though this market has kicked out the highest risk into Washington State's Health Insurance Pool, rates continue to rise in double digits.

There is no check on the individual market - no way to assure consumers they're getting a fair benefit for their premium.

Prior to this legislation, we could at least confirm for consumers that the rates they were being charged were reasonable in relation to their premium.

## In order to protect consumers, we need to be able to oversee rates...

In the last five years, rates have increased an average of 20 percent per year.

Here's an example of what's happened in this market without any regulation:

- If you look at one carrier's most popular plan and the rate charged for a 40-year-old non-smoker who chose a \$500 deductible.....in 1997 that plan cost \$200 a month. Today, the same plan would cost \$800. That's an increase of 400%!

## Why do we need this proposal and what will it do?

- We need to examine the premium in relationship to the benefit before the rates take effect – Consumers have a right to know if the benefits and costs are aligned.
- We need to be able to look at a carrier's surplus when considering rates – Carriers are making money in this market – how do we know they're not cross subsidizing their other markets?
- Your constituents with individual health plans have the least ability to advocate and negotiate for themselves.
- Consumers deserve a public process – they deserve greater transparency in how rates are determined in this market.
  - o To set some order to this public process, consumers must have “standing” to participate in a hearing and they must be able to make a significant contribution to the process.

## Let me address what you'll hear from the opposition

“Carriers might leave the market if we restore regulation!”

Let me ask you a simple question...

If you were an insurer and could write off eight percent of the sickest population into a high risk pool, were allowed to underwrite, had the ability to replace policies with 90 days notice and were experiencing record profits – would you leave?

“This law will abolish competition!”

The original legislation promised a return of competition in this market.

Let me be frank...we have no competition.

Since 2001, no new health carriers or disability insurers have come into or returned to this market.

The only competition that exists today is between carriers as they race each other to develop plans with optimal revenue potential and decreasing benefits.

## What I'm proposing is a simple change to the law...

Consumers in the individual market deserve a watch dog.

They deserve to know that the price they're paying for their health care is justified...

... And that they're getting a good value for their money.

We tried it the carriers' way for the last five years. Now, let's try it a way that benefits consumers.

Thank you.